

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DELTA NATURAL GAS)
COMPANY, INC. FOR APPROVAL OF A) CASE NO. 2011-00147
REVISED GAS COST RECOVERY TARIFF)

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO DELTA NATURAL GAS COMPANY, INC.

Delta Natural Gas Company, Inc. ("Delta"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due within 20 days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Delta shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Delta fails or

refuses to furnish all or part of the requested information, Delta shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to pages 3-4 and Exhibit 2 of the Direct Testimony of John B. Brown (“Brown Testimony”).

a. Describe how Delta finances its gas cost under-recoveries.

b. Explain why Delta is proposing to calculate its carrying cost based on its total cost of capital as opposed to using only its short-term debt cost rate.

c. Explain whether Delta’s cost of financing gas cost under-recoveries is already included in capital costs in its currently approved base rates. If so, provide the amount included in rates.

2. Explain why it is appropriate to implement a Gas Cost Recovery (“GCR”) carrying cost adjustment to address gas cost under-recovery financing cost as opposed to attempting to ascertain if the under-recovery itself can be minimized to the point that the need for financing is alleviated, i.e. the symmetrical design of the proposed calculation, which would charge customers in the case of an under-recovery and credit customers in the case of an over-recovery, would appear to net out over time.

3. Refer to page 5 of the Brown Testimony which states that, while Delta believes the proposed refinements will improve its estimation results, over- and under-recoveries will continue to exist and carrying costs of these amounts should be

calculated and collected from or remitted to customers as appropriate. Explain whether Delta is aware whether any other Kentucky jurisdictional gas distribution company has proposed or received Commission approval for such a carrying cost adjustment in its GCR tariff.

4. Explain whether Delta has considered changing its Actual Adjustment (“AA”) calculation to use calendar month purchases as an estimate of sales. If so, explain why the historical sales method was deemed superior to that method. If not, explain why not.

5. On page 2 of the Direct Testimony of Matthew D. Wesolosky (“Wesolosky Testimony”), Mr. Wesolosky explains Delta’s proposal to use historical usage from billing records, normalized for weather and adjusted from a billed month to a calendar month, and revising the dekatherm to Mcf conversion factor.

a. Explain whether the calculation will also be revised for losses or gains in the number of customers occurring since the historical period.

b. Provide calculations based on the past four Delta GCR applications showing how the proposed calculation change would have affected its over/under-recoveries.

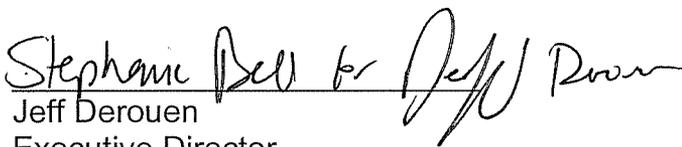
6. Refer to the proposal as explained on page 3 of the Wesolosky Testimony to add a control to the Expected Gas Cost (“EGC”) mechanism to prevent the existing EGC from being decreased when an under-recovery exists or being increased when an over-recovery exists for the quarter that rates are to be in effect. Explain whether Delta is proposing to re-name the revised EGC mechanism, which, as proposed, would be a

blend of forward-looking estimates and historical cost tracking, and how it will revise its GCR tariff to explain the function of what formerly was the "expected" gas cost.

7. Explain how Delta contemplates tracking the collection of gas cost through the AA and the Balance Adjustment components of its GCR if a portion of the EGC becomes a collection/refund mechanism.

8. Provide the number of meter-reading and billing cycles that occur on Delta's system in a typical calendar month.

9. Explain whether Delta has considered implementing a monthly GCR to better track its gas cost and mitigate under-recoveries.


Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
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DATED: JUL 08 2011

cc: Parties of Record

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